Advanced Surgical Design and Manufacture Limited

ABN: 71 066 281 132

Appendix 4E – Preliminary Final Report

1. Reporting Period

Report for the financial year ended 30 June 2008.
Previous corresponding period is the financial year ended 30 June 2007.

2. Results for announcement to the market

	Movement			$A 000's
Revenue from ordinary activities	Up	21.5%	to	7,095
Profit before interest, taxes, depreciation and amortisation (EBITDA)	Up	68.5%	to	912
Net profit from ordinary activities after tax attributable to members	Up	142.9%	to	180
Net profit for the period attributable to members	Up	142.9%	to	180

3. Dividends

No interim dividend was paid and no dividend was proposed for the year ended 30 June 2008.

4. Net tangible assets per share

	Movement			Cents
Net tangible assets per ordinary share at 30 June 2008	up	26.7%	to	23.8
Net tangible assets per ordinary share at 30 June 2007				18.8

5. Details of entities over which control has been gained or lost during the period

During the period the group has not gained or lost control of any entity or associate or entered into any joint venture agreements.

6. Commentary on results

Revenue

Total revenue for the year ended 30 June 2008 was $7.1million, a 21.5% increase over financial year 2007 (“FY07”). Strong core sales unit growth and pricing increases across most product lines have resulted in a strong sales growth performance. Establishment of a sales and clinical presence in the UK and Victoria has assisted in a stronger second half sales performance.

Net profit from ordinary activities

Earnings before interest, tax and depreciation and amortisation (“EBITDA”) was $0.91 million, a 68.5% increase over FY07. An improved EBITDA/revenue ratio of 12.9% (FY07 9.3%) reflected strong sales and a regimented approach to expense increases .We continue to invest in our capacity and look at new and innovative ways to maximise returns with the key aim of supporting our sales force and customers.

Net profit after tax was $0.2 million, 142.9% increase over FY07. This result is after the expensing of all research and development expenses and the tax effect of the share based payments.

Earnings per share of 0.54 cents per share, a 133% increase over FY07.

Key achievements

During the financial year ended 30 June 2008, the company achieved a number of significant milestones including:

- Successfully raising $1.8m in capital and listing on the Australian Securities Exchange
- Reducing debt
- Continued trials of the efficacy of the Peripheral Access Device
- Significant investment in developing new markets locally and globally by establishing a clinical team in the UK and further developing our local sales force with an appointment in Victoria
- Licensing our scientifically tested “Polishing Technology” to a US based global orthopaedic group
- Maintaining a strong positive operating cash flow position

The current year has seen a period of strategic placement by the company. It has enabled us to prepare for the next step in our development as Australias’ premier orthopaedic design and manufacture group.

We have continued to develop and maintain our intellectual property. During the year the company also filed a Patent Infringement notice against “Portland Orthopaedics Limited” (“PLD”). This infringement relates to our Hip Cup Patent dating from 2001 along with a second patent in this family, which was granted during this year. While legal action is regrettable, commercial negotiations to date have been unsuccessful. ASDM remains committed to seeking a commercial outcome should Portland be able to satisfy its enquiries. The prosecution of this action is being handled by our US Patent Attorneys, Jones Day LLC.

We continue to proceed as outlined in the Prospectus by:

- developing and manufacturing our own instrument sets which will further enhance our marketing and sales capability
- continued new product development – Peripheral Access Device and others; and
- protecting and licensing our intellectual property.

7. Status of audit of accounts

The Appendix 4E is based on accounts which have been audited. The audit report is included in the financial statements which forms part of this the Appendix 4E.

Additional information
Additional Appendix 4E disclosure requirements can be found in the notes to the Financial Statements and the operations report included in the attached Financial Statements

Advanced Surgical Design & Manufacture Limited

ABN 71 066 281 132

Annual report for the year ended 30 June 2008

Advanced Surgical Design & Manufacture Limited ABN 71 066 281 132
Annual report - 30 June 2008

Contents

Directors	Peter Kazacos B.E, B.Sc *Chairman*
	Gregory James Roger MB BS, M Eng (Res) *Chief Executive Officer.*
	Walter Kmet BComm., GDhthSrvMt, MBT, FAIM
Secretary	Richard Ulrick BA, LLB, Dip Fin Mgt, FCIS, CPA
Notice of annual general meeting	The annual general meeting of Advanced Surgical Design & Manufacture Limited
	will be held at ASDM's principal registered office
	time 11.00 am
	date 14 November 2008
	A formal notice of meeting will be issued closer to the meeting.
Principal registered office in Australia	Unit 2/12 Frederick Street St Leonards NSW 2065
Share and debenture register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000
Auditor	PricewaterhouseCoopers Darling Park Tower 2 201 Sussex Street Sydney NWS 2000
Solicitors	Watson Mangioni Level 13, 50 Carrington Street Sydney NSW 2000
Bankers	Commonwealth Bank of Australia PO Box 327 Silverwater NSW 2128
Patent attorneys	**Australia** FB Rice Level 23, 44 Market Street Sydney NSW 2000
	United States of America Jones Day 51 Louisiana Avenue, N.W. Washington, D.C. 20001-2113
Stock exchange listings	Advanced Surgical Design & Manufacture Limited shares are listed on the Australian Stock Exchange ("AMT").
Website address	www.asdm.com.au

Directors' report

Your directors present their report on Advanced Surgical Design and Manufacture Limited ('the company') for the year ended 30 June 2008.

Directors
The following persons were directors of Advanced Surgical Design & Manufacture Limited during the whole of the financial year and up to the date of this report:

Peter Kazacos
Gregory James Roger
Walter Kmet

Peter Housden was a director from the beginning of the financial year until his resignation on 8 August 2007.

Principal activities
The principal activity of the company during the year was the design and manufacture of surgical implants. No significant change in the nature of these activities occurred during the year.

Dividends - Advanced Surgical Design & Manufacture Limited
No dividend has been paid during the year and no dividends have been proposed since year end.

Review of operations and significant changes in the state of affairs
A summary of results is set out below:

	2008	2007
	$	$
Profit/(loss) from ordinary activities before income tax expense	**182,994**	(463,238)
Income tax (expense)/benefit	**(2,989)**	43,418
Profit/(loss) from ordinary activities after income tax expense	**180,005**	(419,820)

(a) Revenue

Total revenue for the year ended 30 June 2008 was $7.1million, a 21.5% increase over financial year 2007 (“FY07”). Strong core sales unit growth and pricing increases across most product lines have resulted in a strong revenue growth performance. Establishment of a sales and clinical presence in the UK and Victoria has assisted in a stronger second half sales performance.

(b) Net profit from ordinary activities

EBITDA was $0.91 million, a 68.5% increase over FY07. Strong revenue growth and a regimented approach to expense growth was reflected in the improved EBITDA/revenue ratio of 12.9% (FY07 9.3%).

Earnings per share was 0.54 cents per share, a 133% increase over FY07.

(c) Key achievements

During the financial year ended 30 June 2008, the company achieved a number of significant milestones including:

- Successfully raising $1.8m in capital and listing on the Australian Securities Exchange
- Reduced debt
- Continued trials of the efficacy of the Peripheral Access Device
- Significant investment in developing new markets locally and globally by establishing a clinical team in the UK and further developing our local sales force with an appointment of a distributor in Victoria
- Licensing our scientifically tested “Polishing Technology” to a US based global orthopaedic group
- Maintaining a strong positive operating cash flow position

The current year has seen a period of strategic consolidation by the company. It has enabled us to prepare for the next step in our development as Australia’s premier orthopaedic design and manufacture group.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:
(a) the company's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the company's state of affairs in future financial years.

Likely developments and expected results of operations
We continue to proceed as outlined in the Prospectus:

- developing and manufacturing our own instrument sets which will further enhance our marketing and sales capability
- continued new product development – Peripheral Access Device and others; and
- protecting and licensing our intellectual property.

Environmental regulation
The company is not subject to significant environmental regulations.

Information on directors
Peter Kazacos B.E, B.Sc. *Chairman.*
Experience and expertise
Mr Kazacos has over 30 years experience in the IT industry. He founded KAZ in 1988 and led the company over its 17-year history. Mr. Kazacos was responsible for guiding KAZ from a small IT services company in NSW to one of Asia Pacific's leading IT services and business process outsourcing service providers. KAZ grew from 350 employees at its inception, through its listing on the ASX in 2000, to over 4000 employees, as a fully owned subsidiary of Telstra. Prior to establishing KAZ, he held a number of senior technical positions in the Australian IT industry with leading Australian organisations. Mr. Kazacos was the recipient of the inaugural, Australian Entrepreneur of the Year 2001 award in the Technology, Communications, E-Commerce and Biotechnology category. Mr. Kazacos was also inducted into the Hall of Fame for the 3rd Annual IT&T Awards in October 2004. This Award was in the category of "Champion of the vendor community". Most recently, Mr Kazacos was inducted into the Hall of Fame at the inaugural ARN IT Industry Awards Ceremony (September 07).

He holds a Bachelor of Electrical Engineering and a Bachelor of Science (Applied Mathematics and Computer Science) from the University of New South Wales.

Other current directorships
Mr Kazacos holds a number of Executive Office positions, as below:

Director - PK Business Advantage

Board of Directors - Kazacos Industries and Kpower Pty Ltd

Board Director, and Immediate Past Chairman for the Australian Information Industry Association (AIIA)

Chairman - Roses Only

Chairman - Intelledox

Chairman - Advanced Surgical Design and Manufacture Ltd (ASDM)

Member of UNSW Centre for Innovation & Entrepreneurship Board Chairman – Neller Pty Ltd

2008 CSIRO Tony Benson Award Winner for individual achievement in ICT

Interests in shares and options
632,142 ordinary shares and 106,000 options over ordinary shares in Advanced Surgical Design & Manufacture Limited.

Information on directors (continued)
Dr Gregory James Roger MB BS, M Eng (Res). *Chief Executive Officer.*
Experience and expertise
Associated Professor Greg Roger, following his Medical Degree at Sydney University and Internship at Royal North Shore Hospital, undertook a Masters degree in Engineering at Sydney University in order to start solving Medical Device design problems. Dr Roger went on to acquire a history of medical device innovation including co designing and developing the highly successful Active Knee prosthesis. He subsequently innovated a novel surface polishing and cleaning technique, which has significantly improved the expected life of joint replacement world wide. The company he founded to produce Medical Devices, Advanced Surgical Design and Manufacture Limited (ASDM) has also helped the designs and inventions of Australian surgeons and inventors to achieve commercialisation. In 2004 Dr Roger received a Clunies Ross Award and in 2005 he received Warren Centre Hero of Innovation Award and was appointed Adjunct Associate Professor in the School of Aerospace, Mechanical & Mechatronic Engineering at the University of Sydney. In 2006, Engineers Australia Sydney Division awarded Dr Roger Entrepreneur of the Year. In 2007 Dr Roger was awarded Sydney University Faculty of Engineering's Alumnus of the Year.

Interests in shares and options
7,946,190 ordinary shares and 254,000 options over ordinary shares in Advanced Surgical Design & Manufacture Limited.

Walter Kmet BComm., GDhthSrvMt, MBT, FAIM. *Non-Executive Director*
Experience and expertise
Walter Kmet has over 20 years experience in the health industry in Australia, Asia and the United Kingdom. Walter was formerly Managing Director of HSA Group Limited, CEO of Nations Healthcare Limited, and held leadership positions with MIA Group Limited and Mayne Nickless Limited. Mr Kmet has worked closely with both public and private sector health systems and major international institutions, including Johns Hopkins Hospital and the National Health Service, in developing best practice in health care. He was responsible for Certification of the Jakarta based Jatinegara Hospital and Medical Center with ISO 9002 in 1997, the first time such Certification was granted to a Hospital in the Republic of Indonesia. Walter works substantively with Little Company of Mary Health Care, and has been appointed a Subject Matter Expert for Health Innovation at the University of Queensland.

He has obtained a Bachelor of Commerce and Graduate Diploma in Health Services Management from the University of Newcastle, and Master in Business and Technology from University of New South Wales. Walter is a fellow of Australian Institute of Management.

Interests in shares and options
98,278 ordinary shares and 100,000 options over ordinary share in Advanced Surgical Design & Manufacture Limited.

Company secretary
Richard Ulrick BA, LLB, Dip Fin Mgt, FCIS, CPA was appointed company secretary of the Company on 12 September 2007 and is engaged by way of a services agreement between the Company and Company Secretarial & Legal Services Pty Ltd which he established. Richard is a Solicitor of the Supreme Court of NSW and has more than 25 years' experience in company secretarial and general counsel roles.

Interests in shares and options

34,334 ordinary shares in Advanced Surgical Design & Manufacture Limited

Meetings of directors
The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the numbers of meetings attended by each director were:

	Board meetings		Meetings of committees Nomination and remuneration	
	A	**B**	**A**	**B**
Peter Kazacos	13	13	2	2
Walter Kmet *	13	10	2	2
Gregory James Roger	13	13	2	2

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Attended meetings but is not a member of the Nomination & Remuneration Committee

Retirement, election and continuation in office of directors
Mr P Housden retired as a director on 8 August 2007.

Remuneration report
The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*

A Principles used to determine the nature and amount of remuneration (audited)
As a medical device design and manufacturing company competing against global multi-nationals, ASDM requires a board and senior management team that have both the technical capability and relevant experience to execute the Company's business plan.

The Company's executive remuneration framework has been developed as part of the process of the Company becoming a listed company on the ASX and is being more fully developed as the Company grows. The objective is to ensure reward for performance is competitive and appropriate for the results delivered.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The directors consider options a key tool in attracting the required talented individuals to the Board and management team at this stage in ASDM's development while staying within the fiscal constraints of a growing company.

The remuneration structures take into account:

- key criteria for good reward governance practices, namely: competitiveness and reasonableness, alignment to shareholders' interests, alignment of executive remuneration with performance, transparency and capital management;
- the capability and experience of the key management personnel;
- the ability of key management personnel to control performance; and
- the Company's earnings and share price performance.

The remuneration structures are being designed to motivate employees for quality short and long term performance. The mix between short term and long term variable components is to maintain a focus on the sustainable short term performance of the Company, whilst ensuring ASDM is positioned for its longer term success.

Non-executive directors' remuneration
The aggregate remuneration that may be paid to non-executive directors is a maximum $250,000 per annum. This remuneration may be divided among the non-executive Directors in such a manner as the Board may determine. The maximum may not be increased without prior approval from shareholders at a general meeting, Directors will seek approval from time to time as deemed appropriate.

The Directors may also be paid all travelling and other expenses properly incurred by them in attending meetings of the directors or any committee of directors or general meetings of the Company or otherwise in connection with the execution of their duties as Directors.

Dr Greg Roger is an executive Director and full time employee of the Company. No director's fees are paid to Dr Roger in addition to his annual remuneration as Chief Executive Officer. Details of remuneration payable under the Executive Service Agreement for Dr Roger are set out in Section C below.

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Payments to non-executive Directors are reviewed annually by the Board. The current base remuneration was last reviewed with effect from 1 July 2008. The Board has regard to information from external remuneration consultants to ensure non-executive directors' fees and payments are appropriate within the fiscal constraints of a growing company and in line with the market. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

As non-executive Directors assess individual and Company performance, their remuneration does not have a variable performance related component.

Non-executive Directors generally do not receive share options. However an allocation was made as part of the process to listing on the ASX of the Company's shares. Non-executive Directors may no longer opt to receive a percentage of their remuneration in ASDM shares. This was permitted prior to listing.

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (audited) (continued)

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis including employer contributions to superannuation funds). This base remuneration is structured to be reasonable and fair relative to the scale of the Company's business. It assumes the fulfilment of core performance requirements and expectations.

Remuneration levels are reviewed annually by the Nomination & Remuneration Committee through a process that considers individual and overall performance of the Company. In addition regard is had to information from external remuneration consultants to ensure senior executives' remuneration is competitive in the market place having regard to the size of ASDM and the fiscal constraints of a growing company.

Performance linked remuneration

Performance linked remuneration is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. At this stage in ASDM's development, shareholder wealth is enhanced by the achievement of objectives in the development of the Company's products, within a framework of prudent financial management and consistent with the Company's annual business plan. ASDM's earnings have therefore not been a significant component of enhancing shareholder wealth during the financial year ended 30 June 2008 and therefore do not directly form a measure of executive performance. Furthermore, it is likely that there will be a timing difference as the Company grows in that manufacturing and establishment costs may be incurred prior to receipt of sales revenue related to those activities.

Short-term incentive (STI)

If ASDM exceeds a pre-determined EBITDA target set by the Nomination & Remuneration Committee, a short-term incentive (STI) pool also set by the Committee is available to senior executives during the annual review. This target ensures variable reward is only available when value has been created for shareholders and when earnings are consistent with the business plan. The incentive pool is leveraged for performance above the threshold to provide an incentive for executive out-performance.

50% of the STI is allocated to overall Company objectives, with 50% allocated to personal objectives aligned to the overall objectives of the Company. The overall Company objectives are considered on a financial year basis and are based on the Company's annual business plan. These objectives are set by the Board. They are generally a mix of commercial and project milestones critical to the development of ASDM. It is intended that each objective have a specific allocation within the overall objectives, so that there is transparency in determining the level of achievement of the STI.

Each executive has a target STI opportunity depending on the accountabilities of the role and impact on the Company's performance. The maximum target bonus opportunity, currently approximately 25% of total remuneration, is expected to increase over time.

The objectives require performance in managing operating costs and achieving specific targets in relation to EBITDA and shareholder value added, as well as key, strategic non-financial measures linked to drivers of performance in future reporting periods.

The Nomination & Remuneration Committee determines whether objectives have been met. The STI bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Committee.

As part of this process, Mr Milicevic will receive a $20,000 bonus payment out of a potential $40,000 bonus under his service agreement for the approximately 9 month period of his employment to 30 June 2008.

Long-term incentives

The long-term incentive is intended to be provided to key management personnel other than non-executive Directors as options over ordinary shares of the Company under the rules of the Employee Share Option Plan, see page 9 for further information.

The ability to exercise the options will generally be conditional on the individual achieving certain performance hurdles, such as service conditions and the achievement of key performance indicators. However, options may be granted on whatever terms are required and appropriate to secure the services of key management personnel. The Nomination & Remuneration Committee is required to approve the number of options that ultimately vest. The performance benchmarks are intended to measure relative performance and provide rewards for materially improved company performance. The options will be structured with a view to minimising any 'short-termism' approach on the part of executives.

Consequences of performance on shareholders' wealth

The Board considers that the above performance-linked remuneration structures will generate the desired outcome based on the experience of other companies.

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (audited) (continued)

In considering the Company's performance and benefits for shareholders' wealth, the Nomination & Remuneration Committee will have regard to the Company's earnings and any dividends paid in respect of the current financial year and the previous four financial years together with share price performance since listing on the ASX.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the company (as defined in AASB 124 *Related Party Disclosures)* and specified executives of Advanced Surgical Design & Manufacture Limited Limited are set out in the following table.

The key management personnel of Advanced Surgical Design & Manufacture Limited includes the directors as per pages 3 to 4 above and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- Marisa Bichi - Company Secretary (until 6 June 2007)
- Natalia Belimova - Company Secretary (from 7 June 2007 - 7 September 2007)
- Richard Ulrick - Company Secretary (from 12 September 2007)
- Tom Milicevic - Chief Financial Officer (from 15 October 2007)

Key management personnel and other executives of the company

2008	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Long service leave $	Options $	Total $
Peter Kazacos	60,000	-	-	-	-	39,146	99,146
Gregory James Roger	197,421	-	14,429	17,659	5,279	45,999	280,787
Walter Kmet	20,000	-	-	-	-	56,930	76,930
Other key management personnel							
Richard Ulrick	87,253	-	-	-	-	-	87,253
Natalia Belimova	20,883	-	-	1,710	-	-	22,593
Tom Milicevic	119,768	20,000	-	10,779	-	15,444	165,991
Total key management personnel compensation	**505,325**	**20,000**	**14,429**	**30,148**	**5,279**	**157,519**	**732,700**

2007	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Long service leave $	Options $	Total $
Peter Kazacos	60,000	-	-	-	-	-	60,000
Gregory James Roger	196,086	-	11,574	17,637	4,947	-	230,244
Walter Kmet	-	-	-	-	-	29,139	29,139
Peter Housden	56,000	-	-	-	-	-	56,000
Peter Welsh	5,000	-	-	-	-	-	5,000
Natalia Belimova	5,481	-	-	493	-	-	5,974
Marisa Bichi	64,440	-	-	5,972	-	-	70,412
Total key management personnel compensation	**387,007**	**-**	**11,574**	**24,102**	**4,947**	**29,139**	**456,769**

C Service agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

Remuneration and other terms of employment for the Managing Director, Chief Financial Officer and the other key management personnel are also formalised in service agreements. Each of these agreements provides for the provision of performance-related cash bonuses. Other major provisions of the agreements relating to remuneration are set out below.

Remuneration report (continued)

C Service agreements (continued)

Dr Greg Roger as Chief Executive Officer: His term commenced on 9 May 2006 and ends on the later of 30 June 2009 and the expiration of three months' notice by either party. The initial remuneration payable to Dr Roger comprises base remuneration having a total cost to ASDM of $220,000 per annum (inclusive of mandatory superannuation contributions and any other benefits). The remuneration is reviewed annually. The Company may make a payment equivalent to his remuneration for the unexpired period of any notice to terminate should it wish to terminate Dr Roger's services early. Dr Roger has undertaken not to engage in competitive conduct with ASDM for the term of the agreement and for a further period of up to 12 months thereafter.

Tom Milicevic as Chief Financial Officer: His term commenced on 15 October 2007 and may be terminated by either party on giving 3 months' notice. The initial remuneration payable to Mr Milicevic comprises base remuneration having a total cost to ASDM of $185,300 per annum (inclusive of mandatory superannuation contributions and any other benefits). The remuneration is reviewed annually. The Company may make a payment equivalent to his remuneration for the unexpired period of any notice to terminate should it wish to terminate Mr Milicevic's services early. Mr Milicevic has undertaken not to engage in competitive conduct with ASDM for the term of the agreement and for a further period of up to 12 months thereafter.

D Share-based compensation

Options

The Company has established an Employee Share Option Plan approved by shareholders at an Extraordinary General Meeting held in May 2006. In the year ending 30 June 2009, key management personnel's long-term incentives will by way of participation in the Option Plan. This long-term incentive program aligns the interests of key management personnel more closely with those of ASDM shareholders and rewards sustained superior performance.

The objective of the Option Plan is to assist in the recruitment, reward, retention and motivation of employees of ASDM while advancing the interests of the Company by affording such persons the opportunity of benefiting from increases in shareholder value, thereby more closely aligning their interests with those of shareholders.

Conditional upon listing on the ASX, the Company agreed as part of their terms of engagement to issue 106,000 options and 100,000 options, with an exercise price of $0.50 per share, that would vest immediately and expire 5 years from the date of listing to each of Peter Kazacos and Walter Kmet respectively. Greg Roger holds 254,000 options with an exercise price of $0.50 per share that vest on 30 June 2009 and expire on 30 June 2012. As part of the arrangement to secure his services the Company's Chief Financial Officer, Tom Milicevic was issued 200,000 options with an exercise price of $0.60 per share, that vest 3 years from the date of issue and expire 6 years from the date of issue.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
1 July 2007	30 June 2009	30 June 2012	$0.50	$0.36
1 July 2007	1 July 2007	5 December 2012	$0.50	$0.37
16 November 2007	16 November 2010	16 November 2013	$0.60	$0.37
30 November 2007	30 June 2009	30 June 2011	$0.60	$0.29

Name	Number of options granted during the year		Number of options vested during the year	
	2008	2007	**2008**	2007
Directors of Advanced Surgical Design & Manufacture Limited				
Peter Kazacos	**106,000**	-	**106,000**	-
Gregory James Roger	**254,000**	-	**-**	-
Walter Kmet	**100,000**	-	**100,000**	-
Other key management personnel of the company				
Richard Ulrick	**-**	-	**-**	-
Tom Milicevic	**200,000**	-	**-**	-

Options under the Option Plan are granted for no consideration. Any options granted do not give any right to participate in dividends or rights issues until shares are allotted pursuant to the exercise of the relevant option. Options granted under the Plan are not transferable.

Shares

Upon listing on the ASX of the Company's shares, the Company issued 106,688 shares to employees in lieu of bonuses. All these shares were issued at a price of $0.60 per share.

Remuneration report (continued)

E Additional information

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on pages 8 and 9, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years. The options vest after three years, provided the vesting conditions are met (see page 9 above). No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

	Cash bonus		Options					
Name	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Gregory James Roger	-	-	2008	-	-	30/06/2009	45,499	91,999
Tom Milicevic	50	50	2008	-	-	30/06/2011	58,796	74,240

Share-based compensation: Options

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $
Gregory James Roger	16.4%	$0.37	-	-
Tom Milicevic	9.3%	$0.37	-	-

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.
B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.
C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Shares under option
Unissued ordinary shares of Advanced Surgical Design & Manufacture Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
1 July 2007	30 June 2012	$0.50	254,000
1 July 2007	5 December 2012	$0.50	206,000
16 November 2007	16 November 2013	$0.60	200,000
30 November 2007	30 June 2011	$0.60	1,023,000
			1,683,000

Insurance of officers
During the financial year, Advanced Surgical Design & Manufacture Limited paid a premium of $19,782 to insure the directors and secretaries of the company and its Australian-based controlled entities, and the general managers of each of the divisions of the company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

Non-audit services
The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Non-audit services (continued)

	2008 $	2007 $
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	**86,700**	30,000
Total remuneration for audit services	**86,700**	30,000
2. Non-audit services		
Audit-related services		
PricewaterhouseCoopers Australian firm:		
Audit of regulatory returns	**1,400**	1,000
Due diligence services	**177,845**	-
Other services	**12,000**	4,000
Total remuneration for audit-related services	**191,245**	5,000
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	**33,900**	26,850
Tax consulting and tax advice	**36,800**	-
Due diligence services	**70,140**	-
Total remuneration for taxation services	**140,840**	26,850

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

Peter Kazacos
Director

Sydney
20 August 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the audit of Advanced Surgical Design & Manufacture Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Advanced Surgical Design & Manufacture Limited.

Manoj Santiago
Partner
PricewaterhouseCoopers

Sydney
20 August 2008

Corporate governance statement

Advanced Surgical Design & Manufacture Limited is committed to good corporate governance practices. These practices are designed to protect and enhance shareholder interests and to ensure that there are appropriate levels of disclosure and accountability.

The Company has endorsed the *Corporate Governance Principles and Recommendations* released by the ASX Corporate Governance Council ("ASX Principles") and seeks to follow them to the extent that it is practicable having regard to the size and nature of its operations.

The Company's policies are regularly reviewed to ensure that they remain current and in accordance with good practice appropriate for the Company's business environment. The policies reflect, where necessary, the revision of the ASX Principles in August 2007. These policies are available on the Corporate Governance section of the Company's website.

Set out below are the fundamental corporate governance practices of the Company.

The Board of Directors (the "Board")

Board composition
The Company's constitution provides that the number of Directors is to be determined by the Board but must be no less than 3 and no more than 10, with a broad range of expertise.

The Company currently has three Directors: two non-executive Directors, Mr Peter Kazacos, the Chairman of the Board, and Mr Walter Kmet and one executive Director, Dr Greg Roger, the Managing Director and Chief Executive Officer. The experience and tenure of the Directors are set out in the Directors' report on pages 3-4. Both Mr Kazacos and Mr Kmet are considered independent by the Board. Consequently a majority of the Board are independent directors and the Chief Executive Officer and the Chairman are different people as required by good practice.

The Board composition is considered appropriate as Directors combine a knowledge of the Company's business and industry with experience in the commercial and regulatory requirements necessary for a listed company. With the growth of the Company it is anticipated that an additional Director with technical expertise in the finance area will be appointed during the 2008-2009 financial year. Board members are committed to spending sufficient time to enable them to carry out their duties as directors of the Company; any candidate will confirm that they have the necessary time to devote to their Board position prior to appointment.

Responsibilities
The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Company. The Company's Corporate Governance Policy, which is available in the Corporate Governance section of the Company's website, sets out the specific responsibilities of the Board. Corporate expectations are set out in the Directors' letters of appointment.

The Board's roles and responsibilities include formulating the Company's strategic direction, approving and monitoring capital expenditure, setting remuneration policies, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management of information systems. The Board is also responsible for approving and monitoring financial, risk and other reporting.

The Board has delegated responsibility for the day to day operation and administration of the Company to the Managing Director and executive management. Responsibilities are delineated by formal authority delegations.

Directors' independence
An independent Director of the Company is a Director who is not a member of management (a non-executive Director) and who:

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another group member;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a Director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board considers "material" in this context to be where any Director-related business relationship has represented, or is likely in future to represent the lesser of at least 5% of the Company's or the Director-related business' revenue. The Board considered the nature of the relevant industry competition, and the size and nature of each Director-related business relationship, in arriving at this threshold.

Director induction and education
The Company has, due to the Board's size, an informal induction process. New Directors will be fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of Directors. Directors receive a formal letter of appointment setting out the key terms and conditions relevant to that appointment. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Conflict of interests
Directors must disclose to the Board any actual or potential conflicts of interest which may exist as soon as they become aware of the issue and comply with the *Corporations Act 2001* provisions on disclosing interests and restrictions on voting, which generally will involve the conflicted Director being absent from the meeting whilst the Board discusses the matter and not voting on the matter.

Details of Director-related entity transactions with the Company are set out in Note 27 to the financial statements.

Independent professional advice and access to Company information
Each Director has the right of access to all relevant Company information, to the Company's executives and to the Company's external auditors without management present to seek any clarification or additional information. In addition and subject to prior consultation with the Chairman, each Director may seek independent professional advice from a suitably qualified adviser at the Company's expense. A copy of the advice received by the Director is made available to all other members of the Board.

Corporate reporting
The Managing Director and the Chief Financial Officer give an annual written declaration to the Board that in their opinion the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*, the Company's financial statements and the notes to those statements, for the financial year comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. They also declare in writing to the Board that in their opinion the Company's half year and full year financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Board committees
To assist in the execution of its responsibilities, the Board has established two Board committees namely a Nomination & Remuneration Committee and an Audit & Risk Committee.

Each Committee has its own charter setting out matters relevant to its composition and responsibilities. The charters will be reviewed periodically by the Board and are available in the Corporate Governance section of the Company's website.

The Board currently holds approximately twelve scheduled meetings each year, in addition to strategy and any extraordinary meetings at such other times as may be necessary to address any specific matters that may arise. Details of the number of meetings held by the Board, together with the number of meetings attended by each Director are contained on page 5.

The agenda for Board meetings is prepared in conjunction with the Chairman and Company Secretary. Standing items include the Managing Director's report which may include strategic matters and operational summary, financial report, and company secretarial report which includes governance and compliance. Board papers are circulated in advance and minutes kept of all meetings.

Nomination & Remuneration Committee

Composition

The Nomination & Remuneration Committee comprises the independent Chairman (Peter Kazacos) and Chief Executive Officer (Greg Roger). Each member has the expertise to enable the Committee to effectively discharge its mandate. Details of each Director's experience and background are outlined on pages 3-4 of the Directors' Report. Although the Committee comprises less than three members and a majority of the Committee is not independent, contrary to the recommendations contained in the ASX Principles, the Board is of the view that this is appropriate given the size and composition of the Board and current size and complexity of the Company's business.

Meetings and reporting
The Nomination & Remuneration Committee meets a minimum two times per annum. Details of attendance at Committee Meetings are set out on page 5 in the table of Directors' meetings. All Committee minutes are tabled at Board meetings for review.

Responsibilities
The responsibilities of the Nomination & Remuneration Committee include reviewing Board succession plans, evaluating Board performance and making recommendations to the Board on executive remuneration packages, policies and incentives and remuneration framework for directors.

The Nomination & Remuneration Committee's charter is posted on the Company's website under "Corporate Governance".

The Committee's nomination of existing Directors for reappointment is not automatic and is contingent on their achievement, performance and contribution to the Company and on the current and future needs of the Board and the Company.

Performance assessment
The Nomination & Remuneration Committee has instigated a self assessment questionnaire to facilitate evaluation of the performance of the Board, its Committees and Directors. No assessment was made during the reporting period as a sufficient period of time since listing had not elapsed to assess performance in a meaningful manner. However, an assessment has since taken place. The performance criteria used takes into account each Director's contribution to setting the direction, strategy and financial objectives of the Company. The Committee makes a recommendation on its findings to the Board.

New Directors
The terms and conditions of the appointment and retirement of non-executive Directors are set out in a letter of appointment, including expectations for attendance and preparation for all Board meetings, the procedures for dealing with conflicts of interest, and the availability of independent professional advice.

Executive performance assessment
The Nomination and Remuneration Committee conducts an annual performance appraisal of the Managing Director and the senior executives reporting directly to him. The results are discussed at a Board meeting with the outcome determining the payment of bonuses and vesting of relevant options granted under the Employee Share Option Plan. The performance appraisal includes assessment of the respective executive's performance against key performance objectives set out at the beginning of each financial year.

Remuneration
Details of the remuneration of executives and Directors and the Company's remuneration objectives and policies are set out in the Remuneration Report on pages 8-10 .

Audit & Risk Committee
The role of the Audit & Risk Committee is set out in a formal charter approved by the Board. This charter is available on the Company website under "Corporate Governance".

Composition, Meetings and Reporting
The Audit & Risk Committee currently comprises Mr Walter Kmet and Mr Peter Kazacos who are both non-executive independent Directors. The Committee Chairman is Mr Walter Kmet who is not the Chairman of the Board. Each member has the expertise to enable the Committee to effectively discharge its mandate. Details of each Director's experience and background are outlined on page 5 of the Directors' Report.

The Company does not comply with the recommendation contained in the ASX Principles that the Committee comprise at least three non-executive Directors in that the Board only has 2 non-executive Directors and they comprise the Committee. This is considered appropriate at this stage in the Company's development and has regard to the size of the Board and the Company's operations. However at times it is more convenient for the Board to consider issues that otherwise might have been dealt with by the Committee. Consequently, the Committee, having been established as part of the ASX listing process, did not meet during the reporting period although it has since met twice.

The Audit & Risk Committee will meet a minimum of three times per annum to consider the Company's annual budget and strategic plan review, half-year financial results; and full-year financial results.

The Company's external auditor (currently PricewaterhouseCoopers) is invited to attend at least two Audit & Risk Committee meetings per annum. The Chairman of the Audit & Risk Committee meets (at least annually) with the external auditor without the presence of management. The Managing Director and Chief Financial Officer are invited to Audit & Risk Committee meetings at the discretion of the Committee. The external auditor did not meet with the Audit & Risk Committee during the period of approximately 6 months of the year as a listed company without management being present as no Committee meeting was convened. However this discussion has since been held after year end.

All Committee minutes are tabled at Board meetings for review.

Responsibilities

The primary function of the Audit & Risk Committee is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to:

- fulfilling the Company's accounting and financial reporting obligations;
- maintaining an effective and efficient audit;
- the effectiveness of the internal control environment;
- prudent management of financial and other risks;
- reviewing the effectiveness and efficiency of operations

External auditors

The Audit & Risk Committee reviews the performance of the external auditor on an annual basis ensuring that the external auditor meets the required standards for auditor independence. The Committee or, in some cases the Board, meets with the auditor during the year to review the results and findings of the auditor in respect of financial reports, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

The external auditor attends the Company's Annual General Meeting and is available at that Meeting to answer shareholder questions regarding the conduct of the Company's audit and the preparation and content of the auditor's report.

Selection and Rotation of Audit Partner

The appointment of auditor is put out to public tender no less than every 4 years. A minimum of three tenders will normally be considered by the Board. The terms of the tender cover audit in isolation and must not be co-mingled with other products and services that might be offered by the candidate.

The incumbent auditor is not restricted from tendering but should it do so and if the appointment is renewed the engagement partner cannot be the same engagement partner that was used in the final 2 years of the ending appointment. The application of this and similar requirements are not intended to bestow an advantage on larger audit practices but rather to help ensure maintenance of the integrity of the audit function. The maximum continuous period of time one audit group can act as auditor is 8 years.

Risk assessment and management

The Company has established a risk management policy which is available on its website under "Corporate Governance". There is an ongoing program to identify, monitor and manage compliance issues and significant risks with a view to enhancing the value of every shareholder's investment and safeguarding the Company's investments. The Board reviews the identification, management and reporting of risk as part of the annual budget process. More frequent reviews are undertaken as conditions or events dictate.

The Audit & Risk Committee has the responsibility for ensuring the effectiveness of risk management and internal compliance and control. As part of the review process the Committee considers the extent to which the risk process has been successful in retrospect with regard to the identification and mitigation of risks. This is required at all times and the Board actively promotes a culture of quality and integrity.

The Company has developed a set of policies and procedures (set out in the Company's procedures manual) in relation to the Company's compliance and risk programs. The company doesn't have an internal audit function due to its size, however the procedures and policies are controlled documents and subject to annual review.

Code of Conduct

The Board has adopted a Code of Conduct which sets out the Company's obligations and standard of conduct for directors and employees when dealing with each other, competitors, customers and the community. The Code of Conduct is posted on the Company's website under "Corporate Governance".

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the Company's reputation and performance.

The Company has implemented a Securities Dealing Policy ("Policy") to prevent the incidence of "insider trading" in the Company's securities by Directors, senior management and any other employees or individuals who for the purposes of the Policy are deemed to be Relevant Employees as well as persons associated with them.

A person undertakes insider training if that person trades in the Company's securities while possessing information about the Company that is not generally available and is price sensitive. The Policy restricts the times when Directors, senior management and all other employees covered by the Policy may trade in the Company's securities in addition to the above referenced general legal prohibition.

All trading in the Company's securities requires clearance from the Company.

A copy of the Policy is available on the Company website under "Corporate Governance".

Continuous disclosure and shareholder communication
The Company is committed to ensuring shareholders and the investment market is provided with full and timely disclosure of its activities. The Company has instigated providing shareholders with a quarterly update on its business. Shareholders are encouraged to communicate by electronic means. The Company's Shareholder Communication Policy is available on its website under "Corporate Governance".

The information is advised to shareholders in accordance with the Company's Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, displaying them on the Company's website, and issuing media releases.

The Company's Continuous Disclosure Policy is also available in the Corporate Governance section of the Company's website. The Board encourages participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Company's strategy and goals.

Contents

This financial report covers Advanced Surgical Design & Manufacture Limited as an individual entity. The financial report is presented in the Australian currency.

Advanced Surgical Design & Manufacture Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Advanced Surgical Design & Manufacture Limited
Unit 2/12 Frederick Street
St Leonards NSW 2065

A description of the nature of the company's operations and its principal activities is included in the directors' report on pages 2-12, which is not part of this financial report.

The financial report was authorised for issue by the directors on 20 August 2008. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.asdm.com.au

	Notes	2008 $	2007 $
Revenue from continuing operations			
Sale of goods	5	**6,815,141**	5,552,560
Other revenue from ordinary activities	5	**279,686**	174,642
		7,094,827	5,727,202
Other income	6	**350**	110,313
Expenses			
Cost of sales and purchases of consumables		**(2,931,916)**	(2,581,466)
Other expenses from ordinary activities			
Corporate and administration expenses	7	**(2,152,526)**	(1,975,100)
Quality and Research and development expenses		**(956,678)**	(822,067)
Sales and marketing expenses		**(764,802)**	(576,541)
Finance costs	7	**(106,261)**	(345,579)
Profit/(loss) before income tax		**182,994**	(463,238)
Income tax (expense) benefit	8	**(2,989)**	43,418
Profit/(loss) for the year		**180,005**	(419,820)
Profit/(loss) attributable to the members of Advanced Surgical Design & Manufacture Limited		**180,005**	(419,820)
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	36	**0.54**	(1.66)
Diluted earnings per share	36	**0.52**	(1.66)

The above income statement should be read in conjunction with the accompanying notes.

	Notes	**2008** **$**	2007 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**1,524,251**	777,658
Trade and other receivables	10	**1,963,964**	1,565,046
Inventories	11	**2,709,873**	2,764,060
Current tax receivables	12	**-**	44,310
Other current assets	13	**-**	206,608
Total current assets		**6,198,088**	5,357,682
Non-current assets			
Property, plant and equipment	14	**4,170,714**	3,799,270
Deferred tax assets	15	**685,418**	411,251
Intangible assets	16	**277,117**	209,437
Other non-current assets	17	**248,390**	88,909
Total non-current assets		**5,381,639**	4,508,867
Total assets		**11,579,727**	9,866,549
LIABILITIES			
Current liabilities			
Trade and other payables	18	**962,510**	726,847
Borrowings	19	**706,504**	2,763,270
Provisions	20	**54,870**	-
Total current liabilities		**1,723,884**	3,490,117
Non-current liabilities			
Borrowings	21	**58,565**	783,390
Deferred tax liabilities	22	**116,351**	57,137
Provisions	23	**317,935**	159,731
Total non-current liabilities		**492,851**	1,000,258
Total liabilities		**2,216,735**	4,490,375
Net assets		**9,362,992**	5,376,174
EQUITY			
Contributed equity	24	**9,040,169**	5,546,508
Reserves	25(a)	**313,152**	-
Retained profits/(accumulated losses)	25(b)	**9,671**	(170,334)
Total equity		**9,362,992**	5,376,174

The above balance sheet should be read in conjunction with the accompanying notes.

	Notes	Ordinary shares $	Reserves $	Retained earnings $	Total $
Balance at 1 July 2006		1,750,018	-	249,486	1,999,504
Loss for year		-	-	(419,820)	(419,820)
Total recognised income and expense for the year		**-**	**-**	**(419,820)**	**(419,820)**
Contributions of equity, net of transaction costs	24	3,913,818	-	-	3,913,818
Share raising costs	24	(117,328)	-	-	(117,328)
		3,796,490	-	-	3,796,490
Balance at 30 June 2007		5,546,508	-	(170,334)	5,376,174
Balance at 1 July 2007		5,546,508	-	(170,334)	5,376,174
Profit for year		-	-	180,005	180,005
Total recognised income and expense for the year		**-**	**-**	**180,005**	**180,005**
Equity settled transaction	24	40,000	-	-	40,000
Conversion of loans	24	2,075,000	-	-	2,075,000
Initial public offering	24	1,880,803	-	-	1,880,803
Share raising costs	24	(502,142)	-	-	(502,142)
Employee shares and share options	25	-	313,152	-	313,152
		3,493,661	313,152	-	3,806,813
Balance at 30 June 2008		9,040,169	313,152	9,671	9,362,992

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	2008 $	2007 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**7,474,731**	5,607,448
Payments to suppliers and employees (inclusive of goods and services tax)		**(6,448,589)**	(6,619,759)
		1,026,142	(1,012,311)
Interest paid		**(106,261)**	(345,579)
Interest received		**125,341**	22,080
Income taxes refunded (paid)		**19,163**	(35,581)
Net cash (outflow) inflow from operating activities	33	**1,064,385**	(1,371,391)
Cash flows from investing activities			
Payments for property, plant and equipment		**(858,984)**	(547,358)
Payments for intangible assets		**(116,547)**	(152,036)
Proceeds from sale of property, plant and equipment		**82,768**	11,302
Net cash (outflow) inflow from investing activities		**(892,763)**	(688,092)
Cash flows from financing activities			
Proceeds from issues of shares		**1,418,661**	3,913,818
Repayment of related party loans	31(c)	**(305,000)**	(100,000)
Share issue transaction costs		**-**	(207,000)
Repayment of borrowings		**(153,594)**	(141,605)
Finance lease payments		**(372,592)**	(372,567)
Net cash inflow (outflow) from financing activities		**587,475**	3,092,646
Net increase (decrease) in cash and cash equivalents		**759,097**	1,033,163
Cash and cash equivalents at the beginning of the financial year		**765,154**	(268,009)
Cash and cash equivalents at end of year	9	**1,524,251**	765,154

The above cash flow statement should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Comparatives
Expenses in the income statement have been reclassified by function (by nature in prior year) as the directors believe this classification provides information that is more relevant to users. Comparative information is reclassified accordingly to enhance comparability. A reconciliation of expenses classified by function as shown on the face of the income statement to a disagregation of expenses classified by nature as presented in prior year financial statements is disclosed in note 7 to the financial statements.

(b) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

1 Summary of significant accounting policies (continued)

Revenue is recognised for the major business activities as follows:

(i) Sale of goods
A sale is recorded when goods have been delivered to the customer, the customer has accepted the goods and collectibility of the related receivables is probable.

(ii) Lease income
Lease income from operating leases is recognised in income on a cash basis.

(iii) Interest income
Interest income is recognised on a time proportion basis.When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(f) Leases

Leases of property, plant and equipment where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 14). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases (note 30). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term.

(g) Impairment of assets

Intangible assets have a definite useful life and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1 Summary of significant accounting policies (continued)

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Trade receivables

Trade receivables are recognised at fair value less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expense in the income statement.

(j) Inventories

(i) Raw materials and stores, work in progress and finished goods
Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour, the use of machinery and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on other assets is calculated using either the diminishing value or straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Manufacturing plant and equipment	2-20 years
- Office furniture and equipment	2.5-13.33 years
- Leasehold improvements	2.5-10 years
- Leased plant and equipment	3 years
- Instrument sets	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

1 Summary of significant accounting policies (continued)

(l) Intangible assets

(i) Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The company has only research and other development expenditure to date.

(ii) Patents and website costs
Patents and website costs are recognised at the cost of acquisition and carried at cost less accumulated amortisation and any impairment losses. These are amortised over the period in which their benefits are expected to be realised on a straight-line basis, which varies from 10 to 20 years.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Provisions

Provisions for are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

(p) Employee benefits

(i) Wages, salaries and annual leave
Liabilities for wages, salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

1 Summary of significant accounting policies (continued)

(iii) Share-based payments
Share-based compensation benefits are provided to employees via the Advanced Surgical Design & Manufacture Limited Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in note 35.

The fair value of options granted under the Advanced Surgical Design & Manufacture Limited Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

1 Summary of significant accounting policies (continued)

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The company has not yet adopted AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*
The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. No material impact on the financial report of the company is expected.

(iii) Revised AASB 101 *Presentation of Financial Statements and AASB 2007 8 Amendments to Australian Accounting Standards arising from AASB 101*
A revised AASB 101 was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The company intends to apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 Amendments to *Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations*
AASB 2008-1 was issued in February 2008 and will become applicable for annual reporting periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The policy will be applied the revised standard from 1 July 2009, but it is not expected to affect the accounting for the company’s share-based payments.

(v) Improvements to Australian Accounting Standards: AASB 2008-5 and AASB 2008-6
In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards Standards. The amendments will generally apply to financial reporting periods commencing on or after 1 January 2009, except for some changes to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* regarding the sale of the controlling interest in a subsidiary which will apply from 1 July 2009. The company will apply the revised standards from 1 July 2009. No adjustments are expected to be necessary as the result of applying the revised rules.

2 Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Risk management is carried out by financial managment of the company. The financial management identifies, evaluates and hedges financial risks in accordance with policies set by the board.

The company holds the following financial instruments:

	2008	2007
	$	$
Financial assets		
Cash and cash equivalents	**1,524,251**	777,658
Cash on deposit	**-**	90,000
Trade and other receivables	**1,898,590**	1,494,409
	3,422,841	2,362,067
Financial liabilities		
Trade and other payable	**492,742**	301,016
Bank overdraft	**-**	12,504
Borrowings	**374,890**	2,908,484
Lease liability	**390,179**	625,672
	1,257,811	3,847,676

(a) Market risk

(i) Foreign exchange risk
The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and British pound.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The company has policies which manage the foreign exchange risk exposure of the company and they are monitored by the board.

Management is in the process of establishing a detailed Treasury Management Policy to effectively manage foreign currency risks as ASDM expands further into foreign markets.

The company's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2008		30 June 2007	
	GBP	**USD**	GBP	USD
Trade receivables	**323,037**	**4,368**	792	21,418
Trade payables	**(19,930)**	**(49,873)**	-	(21,504)
Net exposure	**303,107**	**(45,505)**	792	(86)

2 Financial risk management (continued)

Entity sensitivity
Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10% against the British Pound with all other variables held constant, the entity's post-tax profit for the year would have been $74,370 higher/$68,848 lower, with no direct impact on equity, (2007: Nil), mainly as a result of foreign exchange gains/losses on translation of British Pound denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/British Pound exchange rates in 2008 than 2007 because of increased amount of British Pound denominated receivables.

The group's exposure to other foreign exchange movements is not material.

(ii) Price risk
The company is not exposed to equity securities price risk.

(iii) Cash flow and fair value interest rate risk
ASDM's main interest rate risk arises from liabilities bearing variable interest rates as the company intends to hold fixed rate liabilities to maturity.
As at the reporting date, the company had the following variable rate borrowings outstanding:

	30 June 2008		30 June 2007	
	Weighted average interest rate %	**Balance $**	Weighted average interest rate %	Balance $
Cash and cash equivalents	**8.3 %**	1,524,251	5.8 %	777,658
Bank overdrafts	**- %**	-	12.5 %	(12,504)
Net exposure to cash flow interest rate risk		1,524,251		765,154

Sensitivity

At 30 June 2008, if interest rates had changed by /+100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $17,121 lower/higher (2007: $8,677), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Generally, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Major transactions for the strategic purposes of establishing a market presence are provided with extended terms and are approved by the board.

The majority of our customers are hospitals and credit limits are not deemed appropriate in managing our relationships in this operating segment.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets being $3,422,841

For some trade receivables the company may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

2 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate credit facility and the ability to close out market positions.

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Surplus funds are only invested in instruments that are tradable in highly liquid markets.

The company has access to undrawn borrowing facilities which may be drawn at any time.

Financing arrangements

The company had access to the following undrawn borrowing facilities at the reporting date:

	Parent entity	
	2008	2007
	$	$
Floating rate		
- Expiring within one year (bank overdraft and bill facility)	**250,000**	250,000

The bank overdraft facilities may be drawn at any time and is subject to an annual review by the bank.

Maturities of financial liabilities

The tables below analyse the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 June 2008	**Less than 2 months**	**2 - 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying Amount liabilities**
	$	$	$	$	$	$	$
Non-interest bearing							
Trade payables	386,387	10,051	-	-	-	396,438	396,438
Other payables to be settled by cash/financial assets	96,304	-	-	-	-	96,304	96,304
Total non-interest bearing	482,691	10,051	-	-	-	492,742	492,742
Fixed rate							
Hire purchase	24,739	350,151	-	-	-	374,890	374,890
Lease (current)	55,269	110,538	165,807	-	-	331,614	331,614
Lease (non-current)	-	-	-	37,155	21,410	58,565	58,565
Total fixed rate	80,008	460,689	165,807	37,155	21,410	765,069	765,069

2 Financial risk management (continued)

At 30 June 2007	Less than 2 months $	2 - 6 months $	6-12 months $	Between 1 and 2 years $	Over 2 years $	Total contractual cash flows $	Carrying Amount liabilities $
Non-interest bearing							
Trade payables	152,835	1,493	-	-	-	154,328	154,328
Other payables to be settled by cash/financial assets	146,688	-	-	-	-	146,688	146,688
Total non-interest bearing	299,523	1,493	-	-	-	301,016	301,016
Variable rate							
Bank overdraft	12,504	-	-	-	-	12,504	12,504
Total variable rate	12,504	-	-	-	-	12,504	12,504
Fixed rate							
Lease (current)	61,794	123,589	185,383	-	-	370,766	370,766
Lease (non-current)	32,724	65,447	98,171	58,564	-	254,906	254,906
Borrowings	2,405,599	51,198	76,797	187,445	187,445	2,908,484	2,908,484
Total fixed rate	2,500,117	240,234	360,351	246,009	187,445	3,534,156	3,534,156

All liabilities are non-derivatives.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Useful lives of property, plant and equipment and intangibles
The company has self assessed the useful life of property plant and equipment and intangibles, in accordance with the accounting policy stated in note 1(k).These useful lives are based on industry experience and knowledge of the key management personnel of the company.

(ii) Inventories
The company currently has made the estimates with regards to the standard costing used to value finished goods and work in progress. This involves calculating the average machine and employee cost per hour and average time required to complete each stage of the manufacturing process. The company has also estimated the overhead allocation between administration expense and costs of goods sold based on the floor space of the buildings held under operating lease.

4 Segment information

(a) Description of segments

Business segments
The entity operates in one segment being the design and manufacture of surgical implants.

Geographical segments
The entity operates in one geographical segment being Australia.

5 Revenue

	2008 **$**	2007 $
From continuing operations		
Sales revenue		
Sale of goods	**6,815,141**	5,552,560
Other revenue		
Sub-lease rentals	**154,345**	152,562
Interest	**125,341**	22,080
	279,686	174,642
	7,094,827	5,727,202

6 Other income

	2008 **$**	2007 $
Grant income	**-**	108,470
Other income	**350**	1,843
	350	110,313

7 Expenses

	2008 **$**	2007 $
Classification of expenses by nature		
Purchases and cost of sales	**2,473,148**	2,457,910
Employee benefits expense	**1,953,927**	1,557,556
Depreciation and amortisation expense	**625,359**	655,721
Other expenses	**433,715**	98,267
Professional fees	**278,909**	337,502
Research and development expense	**131,841**	121,219
Travel expense	**68,245**	105,310
Rent expense	**128,269**	80,395
Insurance expense	**199,357**	199,526
Capital raising expense	**6,006**	199,111
Sales and marketing expense	**489,261**	70,757
Writedown of property, plant and equipment and intangibles	**17,885**	71,900
	6,805,922	5,955,174

7 Expenses (continued)

	2008 $	2007 $
Classification of expenses by function:		
Cost of sales and purchases of consumables	**2,931,916**	2,581,466
Corporate and administration expenses	**2,152,526**	1,975,100
Quality and Research and development expenses	**956,678**	822,067
Sales and marketing expenses	**764,802**	576,541
	6,805,922	5,955,174

Profit (loss) before income tax includes the following specific expenses:

	2008 $	2007 $
Depreciation		
Plant and equipment	**395,357**	417,120
Furniture and fittings	**63,800**	46,688
Motor vehicles	**9,738**	17,854
Leasehold improvements	**34,303**	59,064
Make good	**20,000**	-
Instrument sets	**71,178**	92,422
Total depreciation	**594,376**	633,148
Amortisation		
Patents and trademarks	**19,825**	15,548
Other intangible assets	**11,158**	7,025
Total amortisation	**30,983**	22,573
Finance costs		
Interest and finance charges paid/payable	**106,261**	345,579
Net loss on disposal of property, plant and equipment	**1,177**	858
Rental expense relating to operating leases		
Minimum lease payments	**688,888**	613,579
Foreign exchange gains and losses		
Net foreign exchange losses	**1,192**	15,651
Share based payment expense	**313,152**	-
Write-down of property, plant and equipment and intangibles		
Instrument sets	**-**	59,295
Leasehold improvements	**-**	12,605
Patents	**17,885**	-

8 Income tax expense

(a) Income tax expense/(benefit)

Current tax	**45,106**	(23,135)
Deferred tax	**(42,117)**	(20,283)
	2,989	(43,418)
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 15)	**(101,331)**	(61,994)
(Decrease) increase in deferred tax liabilities (note 22)	**59,214**	41,711
	(42,117)	(20,283)

	2008 $	2007 $
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax benefit	**182,994**	(463,238)
Tax expense/(benefit) at the Australian tax rate of 30% (2007 - 30%)	**54,898**	(138,971)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**93,946**	71,680
Concessional research and development expenditure treatment	**(28,890)**	(15,949)
Amortisation of intangibles	**-**	1,535
Foreign exchange impacts	**-**	10,421
Sundry items	**(57,777)**	27,866
Benefit of tax losses of prior years recouped	**(59,188)**	-
Total income tax expense (benefit)	**2,989**	(43,418)

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly credited to equity		
Net deferred tax - credited directly to equity (notes 15 and 22)	**172,836**	50,284
	172,836	50,284

9 Current assets - Cash and cash equivalents

	2008 $	2007 $
Cash at bank and in hand	**1,524,251**	777,658

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	2008 $	2007 $
Balances as above	**1,524,251**	777,658
Bank overdrafts (note 19)	**-**	(12,504)
Balances per statement of cash flows	**1,524,251**	765,154

9 Current assets - Cash and cash equivalents (continued)

(b) Interest rate risk exposure

The company's and the parent entity's exposure to interest rate risk is discussed in note 2.

The maximum exposure to credit risk at the reporting date is the carrying amoutn of each class of cash and cash equivalent mentioned above.

(c) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

10 Current assets - Trade and other receivables

	2008 **$**	2007 $
Trade receivables	**1,893,071**	1,494,409
Other receivables	**5,519**	-
Prepayments	**65,374**	70,637
	1,963,964	1,565,046

(a) Impaired trade receivables

As at 30 June 2008 the directors were not aware of any receivables that were impaired (2007 - Nil).

(b) Past due but not impaired

As of 30 June 2008, trade receivables of $408,970 (2007 - $695,898) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008 **$**	2007 $
Overdue		
30 to 60 days	**362,031**	500,816
60 to 120 days	**18,609**	28,068
Over 120 days	**28,330**	167,014
	408,970	695,898

The other classes within trade and other receivables do not contain impaired assets and are not past due. The company does not hold any collateral in relation to these receivables.

(c) Cash on deposit

The cash deposits held in the piror year bore floating interest rates of between 5.5% and 6.05% per annum. These deposits had an average period to repricing of between 90 and 150 days.

(d) Foreign exchange and interest rate risk

Information about the company's exposure to exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

11 Current assets - Inventories

	2008 $	2007 $
Raw materials at cost	**663,728**	690,978
Work in progress at cost	**464,359**	429,350
Finished goods at lower of cost and net realisable value	**1,581,786**	1,643,732
	2,709,873	2,764,060

(a) Inventory expense

Write-off of inventories are recognised as an expense during the year ended 30 June 2008 amounted to $122,160 (2007: $23,082). The expense has been included in 'cost of sales' in the income statement.

12 Current assets - Current tax receivables

	2008 $	2007 $
Tax receivable	**-**	44,310

13 Current assets - Other current assets

	2008 $	2007 $
Deferred expenditures	**-**	116,608
Cash on deposit	**-**	90,000
	-	206,608

14 Non-current assets - Property, plant and equipment

	Plant and equipment $	Furniture and fixtures $	Motor vehicles $	Leasehold improvements $	Leased plant & equipment $	Make good $	Instrument sets $	Total $
At 1 July 2006								
Cost	6,376,426	540,018	-	267,085	36,494	-	296,211	7,516,234
Accumulated depreciation	(2,899,903)	(405,453)	-	(28,510)	(17,639)	-	(199,250)	(3,550,755)
Net book amount	3,476,523	134,565	-	238,575	18,855	-	96,961	3,965,479
Year ended 30 June 2007								
Opening net book amount	3,476,523	134,565	-	238,575	18,855	-	96,961	3,965,479
Additions	38,611	45,014	53,460	11,012	-	-	399,261	547,358
Disposals	-	-	(8,519)	-	-	-	-	(8,519)
Impairment charge recognised in profit and loss	-	-	-	(12,605)	-	-	(59,295)	(71,900)
Transfers in/(out)	18,855	-	-	-	(18,855)	-	-	-
Depreciation charge	(417,120)	(46,688)	(17,854)	(59,064)	-	-	(92,422)	(633,148)
Closing net book amount	3,116,869	132,891	27,087	177,918	-	-	344,505	3,799,270
At 1 July 2007								
Cost	6,586,523	448,330	38,280	262,769	-	-	640,715	7,976,617
Accumulated depreciation	(3,469,654)	(315,439)	(11,193)	(84,851)	-	-	(296,210)	(4,177,347)
Net book amount	3,116,869	132,891	27,087	177,918	-	-	344,505	3,799,270

14 Non-current assets - Property, plant and equipment (continued)

	Plant and equipment $	Furniture and fixtures $	Motor vehicles $	Leasehold improvements $	Leased plant & equipment $	Make good $	Instrument sets $	Total $
Year ended 30 June 2008								
Opening net book amount	3,116,869	132,891	27,087	177,918	-	-	344,505	3,799,270
Additions	114,438	303,446	-	15,435	-	250,918	347,784	1,032,021
Disposals	(1,422)	-	-	-	-	-	(64,779)	(66,201)
Transfers in/(out)	(123,092)	123,092	-	-	-	-	-	-
Depreciation charge	(395,357)	(63,800)	(9,738)	(34,303)	-	(20,000)	(71,178)	(594,376)
Closing net book amount	2,711,436	495,629	17,349	159,050	-	230,918	556,332	4,170,714
At 30 June 2008								
Cost	6,514,847	881,454	38,280	278,204	-	250,918	923,720	8,887,423
Accumulated depreciation	(3,803,411)	(385,825)	(20,931)	(119,154)	-	(20,000)	(367,388)	(4,716,709)
Net book amount	2,711,436	495,629	17,349	159,050	-	230,918	556,332	4,170,714

14 Non-current assets - Property, plant and equipment (continued)

(a) Leased assets

Plant and equipment includes the following amounts where the company is a lessee under a finance lease:

	2008 $	2007 $
Leased equipment		
Cost	**2,878,091**	2,612,655
Accumulated depreciation	**(1,223,468)**	(1,197,395)
Net book amount	**1,654,623**	1,415,260

15 Non-current assets - Deferred tax assets

	2008 $	2007 $
The balance comprises temporary differences attributable to:		
Tax losses *	**215,130**	247,455
Other provisions and accruals	**247,167**	113,512
Share issue expenses	**223,121**	50,284
Net deferred tax assets	**685,418**	411,251
Movements:		
Opening balance at 1 July	**411,251**	298,973
Credited/(charged) to the income statement (note 8)	**101,331**	61,994
Credited/(charged) to equity	**172,836**	50,284
Closing balance at 30 June	**685,418**	411,251
Deferred tax assets to be recovered within 12 months	**-**	-
Deferred tax assets to be recovered after more than 12 months	**685,418**	411,251
	685,418	411,251

16 Non-current assets - Intangible assets

	Patents, trademarks and other rights $	Website design $	Total $
At 1 July 2006			
Cost	71,174	30,066	101,240
Accumulated amortisation	(5,228)	(16,038)	(21,266)
Net book amount	65,946	14,028	79,974
Year ended 30 June 2007			
Opening net book amount	65,946	14,028	79,974
Additions	140,358	11,678	152,036
Amortisation charge	(15,548)	(7,025)	(22,573)
Closing net book amount	190,756	18,681	209,437
At 30 June 2007			
Cost	211,532	41,744	253,276
Accumulated amortisation	(20,776)	(23,063)	(43,839)
Net book amount	190,756	18,681	209,437
Year ended 30 June 2008			
Opening net book amount	190,756	18,681	209,437
Additions	94,106	22,442	116,548
Impairment charge	(17,885)	-	(17,885)
Amortisation charge	(19,825)	(11,158)	(30,983)
Closing net book amount	247,152	29,965	277,117
At 30 June 2008			
Cost	287,752	64,186	351,938
Accumulated amortisation	(40,600)	(34,221)	(74,821)
Net book amount	247,152	29,965	277,117

17 Non-current assets - Other non-current assets

	2008 $	2007 $
Other receivables	**248,390**	88,909

18 Current liabilities - Trade and other payables

	2008 $	2007 $
Trade payables	**415,258**	154,328
Employee benefits - annual leave	**218,188**	161,021
Accrued expenses	**172,552**	231,034
Other payables*	**156,512**	180,464
	962,510	726,847

* Other payables includes superannuation payable, PAYG withholding and deferred rent incentive.

18 Current liabilities - Trade and other payables (continued)

(a) Risk exposure

Information about the company's exposure to foreign exchange risk is provided in note 2.

19 Current liabilities - Borrowings

	2008 **$**	2007 $
Secured		
Bank overdrafts	**-**	12,504
Bank loans	**374,890**	-
Lease liabilities (note 30)	**331,614**	370,766
Total secured current borrowings	**706,504**	383,270
Unsecured		
Loans from related parties	**-**	2,380,000
Total unsecured current borrowings	**-**	2,380,000
Total current borrowings	**706,504**	2,763,270

(a) Risk exposures

Details of the company's exposure to risks arising from current and non-current borrowings are set out in note 2.

(b) Fair value disclosures

Details of the fair value of borrowings for the company are set out in note 21.

(c) Security

Information about the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 21.

20 Current liabilities - Provisions

	2008 **$**	2007 $
Employee benefits - long service leave	**54,870**	-

21 Non-current liabilities - Borrowings

	2008 **$**	2007 $
Secured		
Bank loans	**-**	528,484
Lease liabilities (note 30)	**58,565**	254,906
Total non-current borrowings	**58,565**	783,390

(a) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

21 Non-current liabilities - Borrowings (continued)

Bank loan	**374,890**	540,988
Lease liabilities	**390,179**	625,672
Total secured liabilities	**765,069**	1,166,660

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Notes	**2008 $**	2007 $
Current -			
Floating charge			
Cash and cash equivalents	9	**1,524,251**	777,658
Receivables	10	**1,893,071**	1,494,409
Total current assets pledged as security		**3,417,322**	2,272,067
Non-current			
Hire Purchase			
Plant and equipment	14	**1,654,623**	1,415,260
Total assets pledged as security		**5,071,945**	3,687,327

(b) Fair value

The carrying amounts and fair values of borrowings at balance date are the same for all categories.

	At 30 June 2008		At 30 June 2007	
	Carrying amount $	**Fair value $**	Carrying amount $	Fair value $
Bank overdrafts	**-**	**-**	12,504	12,504
Bank loans	**374,890**	**374,890**	528,484	528,484
Other loans	**-**	**-**	2,380,000	2,380,000
Lease liabilities	**390,179**	**390,179**	625,672	625,672
	765,069	**765,069**	3,546,660	3,546,660

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant.

(c) Risk exposures

Information about the Group's and parent entity’s exposure to interest rate and foreign currency changes is provided in note 2.

22 Non-current liabilities - Deferred tax liabilities

	2008 $	2007 $
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**114,018**	41,335
Deferred expenditure	**-**	14,876
Prepayments	**678**	926
Interest receivable	**1,655**	-
Net deferred tax liabilities	**116,351**	57,137
Movements:		
Opening balance at 1 July	**57,137**	15,426
Charged to the income statement (note 8)	**59,214**	41,711
Closing balance at 30 June	**116,351**	57,137
Deferred tax liabilities to be settled within 12 months	**2,333**	15,802
Deferred tax liabilities to be settled after more than 12 months	**114,018**	41,335
	116,351	57,137

23 Non-current liabilities - Provisions

	2008 $	2007 $
Employee benefits - long service leave	**67,017**	159,731
Make good provision	**250,918**	-
	317,935	159,731

(a) Make good provision

The company is required to restore the leased premises to their original condition at the end of the lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised and are amortised over the shorter of the term of the lease or the useful life of the assets.

	2008 Make good provision $	2007 Make good provision $
Non-current		
Carrying amount at start of year	-	-
Charged/(credited) to the income statement		
- additional provisions recognised	250,918	-
Carrying amount at end of year	250,918	-

24 Contributed equity

	2008 Shares	2007 Shares	2008 $	2007 $
(a) Share capital				
Ordinary shares				
Fully paid	**35,298,996**	25,327,636	**9,040,169**	5,546,508

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$
1 July 2006	Opening balance	500,020		1,750,018
10 July 2006	Share split - 35.71 shares for every one share held	17,357,120		-
10 July 2006	Share placement	7,142,860	$0.35	2,500,000
13 February 2007	Share issue	2,000,000	$0.50	1,000,000
1 March 2007	Share issue	809,358	$0.50	404,679
31 March 2007	Share based payment	18,278	$0.50	9,139
	Less: Transaction costs arising on share issue	-		(117,328)
30 June 2007	Balance	27,827,636		5,546,508
1 July 2007	Opening balance	27,827,636		5,546,508
25 July 2007	Equity settled transaction	80,000	$0.50	40,000
16 August 2007	Conversion of loans	4,150,000	$0.50	2,075,000
5 December 2007	Grant of employee shares	106,688	$0.60	-
5 December 2007	Initial public offering	3,134,672	$0.60	1,880,803
	Less: Transaction costs arising on share issue			(502,142)
30 June 2008	Balance	35,298,996		9,040,169

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Ordinary shares do not have a par value.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

24 Contributed equity (continued)

(d) Capital risk management

The company's objectives when managing capital are to safeguard their ability to continue as a going concern, so they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The group's strategy is to use equity to finance its projects. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	2008 **$**	2007 $
Total borrowings (notes: 18, 19, 21)	**1,727,579**	3,623,507
Less: cash and cash equivalents (note: 9)	**(1,524,251)**	(777,658)
Net debt	**203,328**	2,845,849
Total equity	**9,362,992**	5,376,174
Total capital	**9,566,320**	8,222,023
Gearing ratio	**0.2 %**	34.6 %

25 Reserves and retained profit /(accumulated losses)

	2008 **$**	2007 $
(a) Reserves		
Share-based payments reserve	**313,152**	-
	313,152	-

	2008 **$**	2007 $
Movements:		
Share-based payments reserve		
Balance 1 July	**-**	-
Option expense	**249,139**	-
Employee share plan expense	**64,013**	-
Balance 30 June	**313,152**	-

25 Reserves and retained profit /(accumulated losses) (continued)

(b) Retained profits (accumulated losses)

Movements in retained profits (accumulated losses) were as follows:

	2008 $	2007 $
Opening (accumulated losses)/retained earnings	**(170,334)**	249,486
Net profit (loss) for the year	**180,005**	(419,820)
Balance 30 June	**9,671**	(170,334)

(c) Nature and purpose of reserves

Share-based payments reserve
The share-based payments reserve is used to recognise:

- the fair value of options issued to employees but not exercised
- the fair value of shares issued to employees

26 Franking credits

No dividends have been declared for 2008 (2007 - Nil).

	2008 $	2007 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2007 - 30%)	**320,477**	395,337

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

27 Key management personnel disclosures

(a) Directors

The following persons were directors of Advanced Surgical Design & Manufacture Limited during the financial year:

(i) Executive directors
G Roger, Chief Executive Officer

(ii) Non-executive directors
P Kazacos
W Kmet

P Housden resigned from the position of non-executive director on 8 August 2007.

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, during the financial year:

27 Key management personnel disclosures (continued)

Name	*Position*	
Marisa Bichi	Company Secretary	Resigned 6 June 2007
Natalia Belimova	Company Secretary	Appointed 7 June 2007; resigned 7 September 2007
Richard Ulrick	Company Secretary	Appointed 12 September 2007
Tom Milicevic	Chief Financial Officer	Appointed 15 October 2007

All of the above persons were also key management persons during the year ended 30 June 2007 unless otherwise stated.

(c) Key management personnel compensation

	2008 **$**	2007 $
Short-term employee benefits	**539,754**	398,581
Post-employment benefits	**30,148**	24,102
Long-term benefits	**5,279**	4,947
Share-based payments	**157,519**	29,139
	732,700	456,769

The company has taken advantage of the relief provided by *Corporations Regulation* 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 6 to 9.

(d) Equity instrument disclosures relating to key management personnel

(i) Option holdings
The numbers of options over ordinary shares in the company held during the financial year by each director of Advanced Surgical Design & Manufacture Limited and other key management personnel of the company, including their personally related parties, are set out below.

2008

Name	Balance at start of the year	Granted as compen-sation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Advanced Surgical Design & Manufacture Limited							
Peter Kazacos	-	106,000	-	-	106,000	106,000	-
Gregory James Roger	-	254,000	-	-	254,000	-	254,000
Walter Kmet	-	100,000	-	-	100,000	100,000	-
Other key management personnel of the company							
Richard Ulrick	-	-	-	-	-	-	-
Tom Milicevic	-	200,000	-	-	200,000	-	200,000

(ii) Share holdings
The numbers of shares in the company held during the financial year by each director of Advanced Surgical Design & Manufacture Limited and other key management personnel of the company, including their personally related parties, are set out below.

27 Key management personnel disclosures (continued)

2008 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Ordinary shares				
P Kazacos	572,000	-	60,142	632,142
G Roger	7,942,856	-	3,334	7,946,190
W Kmet	18,278	-	80,000	98,278
R Ulrick	-	-	34,334	34,334
T Milicevic	-	-	50,001	50,001
P Housden (resigned 8 August 2007)	72,000	-	(72,000)	-

2007 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Ordinary shares				
P Kazacos	-	-	572,000	572,000
G Roger	225,009	-	7,717,847	7,942,856
W Kmet	-	-	18,278	18,278
P Welsh (resigned 16 August 2006)	125,005	-	4,339,280	4,464,285
P Housden	-	-	72,000	72,000

(e) Loans from key management personnel

Details of shareholder loans made to the company from directors of Advanced Surgical Design & Manufacture Limited and other key management personnel of the company, including their personally related parties, are set out below.

(i) Aggregates for key management personnel

	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Number of loans with the company at the end of the year
2008	**2,380,000**	**33,320**	**-**	**-**	**-**
2007	2,380,000	199,920	-	2,380,000	4

Shareholders loan of $2,075,000 outstanding at 30 June 2007 was converted into ordinary shares on 16 August 2007 at $0.50 per share and $305,000 paid in cash.

(f) Other transactions with key management personnel

A consultancy agreement existed until retirement as a director with Peter Housden, an ex-director, whereby he received fees for consulting and training of accounting staff.

During the financial year Advanced Surgical Design & Manufacture Limited issued 80,000 shares to W Kmet (2007: 18,278) in return for services provided to the value of $40,000 (2007: $9,139).

28 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the company, its related practices and non-related audit firms:

	2008 **$**	2007 $
(a) Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports	**86,700**	30,000
Total remuneration for audit services	**86,700**	30,000
(b) Non-audit services		
Audit-related services		
PricewaterhouseCoopers Australian firm		
Audit of regulatory returns	**1,400**	1,000
Due diligence services	**177,845**	-
Other services	**12,000**	4,000
Total remuneration for audit-related services	**191,245**	5,000
Taxation services		
PricewaterhouseCoopers Australian firm		
Tax compliance services	**33,900**	26,850
Tax consulting and tax advice	**36,800**	-
Due diligence services	**70,140**	-
Total remuneration for taxation services	**140,840**	26,850

29 Contingencies

(a) Contingent liabilities

The directors are not aware of any material contingent liabilities existing at the end of the financial year.

30 Commitments

(i) Operating leases
The company leases various premises under non-cancellable operating leases expiring within one year. The leases has renewal rights.

	2008 **$**	2007 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**547,472**	426,584
Later than one year but not later than five years	**2,205,802**	-
Commitments not recognised in the financial statements	**2,753,274**	426,584

30 Commitments (continued)

Sub-lease payments

	2008 $	2007 $
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**246,855**	-
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases not recognised in the financial statements	**246,855**	-

(ii) Finance leases
The company leases various plant and equipment with a carrying amount of $1,654,623 (2007 - $1,415,260) under finance leases expiring within one to three years.

	2008 $	2007 $
Commitments in relation to finance leases are payable as follows:		
Within one year	**351,139**	436,270
Later than one year but not later than five years	**62,627**	230,310
Minimum lease payments	**413,766**	666,580
Less future finance charges	**(23,587)**	(40,908)
Recognised as a liability	**390,179**	625,672
Representing lease liabilities:		
Current (note 19)	**331,614**	370,766
Non-current (note 21)	**58,565**	254,906
	390,179	625,672

The weighted average interest rate implicit in the leases is 9.18% (2007 - 8.32%).

31 Related party transactions

(a) Directors

The names of persons who were directors of the company at any time during the financial year are as follows: P Kazacos, G Roger and W Kmet. All of these persons were also directors during the year ended 30 June 2007. In addition, P Housden held office as a director until his retirement on 8 August 2007.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 27.

31 Related party transactions (continued)

(c) Transactions with related parties

The following transactions occurred with related parties:

	2008 $	2007 $
Director Gregory Roger - Other transactions		
Loan from shareholder*	**-**	300,000
Reversal of prior year management fee for Flexitron Pty Limited, a company controlled by Gregory Roger	**-**	60,000

* This was an unsecured loan bearning an interest rate of 8.4% p.a. The loan was repaid in full during the year.

32 Economic dependency

The company depends for a significant volume of revenue on relationships with key surgeons being Dr Bartlett, Dr Cross and Dr Wood. The company, however, believes that they would be able to manage the transition to another surgeon should the relationship with any of these surgeons cease.

33 Reconciliation of profit (loss) after income tax to net cash inflow from operating activities

	2008 $	2007 $
Profit (loss) for the year	**180,005**	(419,820)
Depreciation and amortisation	**614,201**	655,721
Impairment of intangible assets	**17,885**	-
Capital raising expense	**-**	199,111
Non-cash employee benefits expense - share-based payments	**313,152**	-
Net (gain) loss on sale of non-current assets	**1,177**	-
Write-down of property plant and equipment	**-**	71,900
Write-down of stock	**122,160**	-
Change in operating assets and liabilities		
(Increase) in trade debtors and bills of exchange	**(308,662)**	(943,543)
Decrease (Increase) in inventories	**(67,973)**	135,343
Decrease in current tax assets	**44,310**	-
(Increase) decrease in deferred tax assets	**(274,167)**	(65,959)
(Increase) decrease in other operating assets	**(43,129)**	106,149
(Decrease) increase in trade creditors	**260,930**	(1,257,525)
(Decrease) increase in other operating liabilities	**(25,268)**	68,777
Increase (decrease) in deferred tax liabilities	**59,214**	41,711
Increase (decrease) in other provisions	**170,550**	36,744
Net cash (outflow) inflow from operating activities	**1,064,385**	(1,371,391)

34 Non-cash investing and financing activities

	2008 $	2007 $
Acquisition of plant and equipment by means of finance leases	**179,624**	-

35 Share-based payments

(a) Employee Option Plan

The Company has established an Employee Share Option Plan approved by shareholders at an Extraordinary General Meeting held in May 2006. In the year ending 30 June 2009, key management personnel's long-term incentives will by way of participation in the Option Plan. This long-term incentive program aligns the interests of key management personnel more closely with those of ASDM shareholders and rewards sustained superior performance.

The objective of the Option Plan is to assist in the recruitment, reward, retention and motivation of employees of ASDM while advancing the interests of the Company by affording such persons the opportunity of benefiting from increases in shareholder value, thereby more closely aligning their interests with those of shareholders.

Conditional upon listing on the ASX, the Company agreed as part of their terms of engagement to issue 106,000 options and 100,000 options, with an exercise price of $0.50 per share, that would vest immediately and expire 5 years from the date of listing to each of Peter Kazacos and Walter Kmet respectively. Greg Roger holds 254,000 options with an exercise price of $0.50 per share that vest on 30 June 2009 and expire on 30 June 2012. As part of the arrangement to secure his services the Company's Chief Financial Officer, Tom Milicevic was issued 200,000 options with an exercise price of $0.60 per share, that vest 3 years from the date of issue and expire 6 years from the date of issue.

Options under the Option Plan are granted for no consideration. Any options granted do not give any right to participate in dividends or rights issues until shares are allotted pursuant to the exercise of the relevant option. Options granted under the Plan are not transferable.

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2008								
01/07/07	30/06/12	$0.50	-	254,000	-	-	254,000	-
01/07/07	05/12/12	$0.50	-	206,000	-	-	206,000	206,000
16/11/07	16/11/13	$0.60	-	200,000	-	-	200,000	-
30/11/07	30/06/11	$0.60	-	1,089,000	-	(66,000)	1,023,000	-
Total			-	1,749,000	-	(66,000)	1,683,000	206,000
Weighted average exercise price			$-	$0.57	$-	$0.60	$0.57	$0.50

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.5 years.

Fair value of options granted
The assessed fair value at grant date of options granted during the year ended 30 June 2008 was 60 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2008 included:

(a) consideration received on granting: nil

(b) vesting criteria: directors options vested immediately while all remaining options vest on continued employment and time conditions

(c) vesting period: 18 months - 3 years

(d) exercisable period after vesting: 2 - 5 years

(e) exercise price: $0.60

(f) grant date: various - see table above

(g) expiry date: various - see table above

35 Share-based payments (continued)

(h) share price at grant date: $0.50 and $0.60

(i) expected price volatility of the company's shares: 60%

(j) expected dividend yield: nil

(k) risk-free interest rate: 6%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(b) Employee share scheme

Upon listing on the ASX of the Company's shares, the Company issued 106,667 shares to employees in lieu of bonuses. All these shares were issued at a price of $0.60 per share.

	2008 Number	2007 Number
Number of shares issued under the plan to participating employees during the year	**106,688**	-

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2008 $	2007 $
Options issued under employee option plan	**249,139**	-
Shares issued to employees via Initial Public Offering	**64,013**	-
	313,152	-

36 Earnings per share

	2008 Cents	2007 Cents
(a) Basic earnings per share		
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company	**180,005**	(419,820)
Profit/(loss) attributable to the ordinary equity holders of the company	**180,005**	(419,820)
(b) Diluted earnings per share		
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company	**180,005**	(419,820)
Profit/(loss) attributable to the ordinary equity holders of the company	**180,005**	(419,820)

36 Earnings per share (continued)

(c) Reconciliations of earnings used in calculating earnings per share

	2008 $	2007 $
Basic and diluted earnings per share		
Profit/(loss) from continuing operations	**180,005**	(419,820)
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**180,005**	(419,820)

(d) Weighted average number of shares used as the denominator

	2008	2007
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**33,361,332**	25,352,317
Adjustments for calculation of diluted earnings per share:		
Amounts uncalled on partly paid shares and calls in arrears	**1,191,282**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**34,552,614**	25,352,317

(e) Information concerning the classification of securities

(i) Options

Options granted to employees under the ASDM Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 35.

In the directors' opinion:

(a) the financial statements and notes set out on pages 19 to 57 are in accordance with the *Corporations Act 2001,* including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

Peter Kazacos
Director

Sydney
20 August 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Independent auditor's report to the members of Advanced Surgical Design & Manufacture Limited

Report on the financial report and the AASB124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Advanced Surgical Design & Manufacture Limited (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

We have also audited the remuneration disclosures contained in the directors' report under the heading 'Remuneration Report' in pages 6-10 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the director's report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the members of Advanced Surgical Design & Manufacture Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Advanced Surgical Design & Manufacture Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 6of the directors' report comply with section 300A of the *Corporations Act 2001*.

Pricewaterhouse Coopers

PricewaterhouseCoopers

Manoj Santiago
Partner

Sydney
20 August 2008

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